



General Assembly

**Substitute Bill No. 1074**

January Session, 2007

\* SB01074HEDF IN022607 \*

**AN ACT CONCERNING THE CONNECTICUT HIGHER EDUCATION  
SUPPLEMENTAL LOAN AUTHORITY.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 10a-224 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2007*):

4 (a) There is created a body politic and corporate to be known as the  
5 "Connecticut Higher Education Supplemental Loan Authority". The  
6 authority is constituted a public instrumentality and political  
7 subdivision of the state and the exercise by the authority of the powers  
8 conferred by this chapter shall be deemed and held to be the  
9 performance of an essential public and governmental function. The  
10 powers of the authority shall be vested in and exercised by a board of  
11 directors which shall consist of eight members, one of whom shall be  
12 the State Treasurer, one of whom shall be the Secretary of the Office of  
13 Policy and Management and one of whom shall be the Commissioner  
14 of Higher Education, each serving ex officio, and five of whom shall be  
15 residents of the state appointed by the Governor, not more than three  
16 of such appointed members to be members of the same political party.  
17 Three of the appointed members shall be active or retired trustees,  
18 directors, officers or employees of Connecticut institutions for higher  
19 education. [ , of whom not more than one shall be from a constituent

20 unit of the state system of higher education.] At least one of the  
21 appointed members shall be a person having a favorable reputation for  
22 skill, knowledge and experience in the higher education loan finance  
23 field, and at least one of such appointed members shall be a person  
24 having a favorable reputation for skill, knowledge and experience in  
25 state and municipal finance, either as a partner, officer or employee of  
26 an investment banking firm which originates and purchases state and  
27 municipal securities, or as an officer or employee of an insurance  
28 company or bank whose duties relate to the purchase of state and  
29 municipal securities as an investment and to the management and  
30 control of a state and municipal securities portfolio. Of the three  
31 members first appointed who are trustees, directors, officers or  
32 employees of Connecticut institutions for higher education, one shall  
33 serve until July 1, 1986, one shall serve until July 1, 1987, and one shall  
34 serve until July 1, 1988. Of the three remaining members first  
35 appointed, one shall serve until July 1, 1983, one shall serve until July  
36 1, 1984, and one shall serve until July 1, 1985. On or before the first day  
37 of July, annually, the Governor shall appoint a member or members to  
38 succeed those whose terms expire, each for a term of six years and  
39 until his successor is appointed and has qualified. The Governor shall  
40 fill any vacancy for the unexpired term. A member of the board shall  
41 be eligible for reappointment. Any member of the board may be  
42 removed by the Governor for misfeasance, malfeasance or wilful  
43 neglect of duty. Each member of the board before entering upon his or  
44 her duties shall take and subscribe the oath or affirmation required by  
45 section 1 of article eleventh of the State Constitution. A record of each  
46 such oath shall be filed in the office of the Secretary of the State. The  
47 State Treasurer, the Secretary of the Office of Policy and Management  
48 and the Commissioner of Higher Education may each designate a  
49 deputy or any staff member to represent him as a member at meetings  
50 of the board with full power to act and vote on his behalf.

51 Sec. 2. Section 10a-225 of the general statutes is amended by adding  
52 subsection (d) as follows (*Effective July 1, 2007*):

53 (NEW) (d) (1) The authority may develop and require the use of a

54 master promissory note for education loans. Each master promissory  
55 note shall allow borrowers to receive, in addition to initial education  
56 loans, additional education loans for the same or subsequent periods  
57 of enrollment. Each master promissory note shall include a provision  
58 stating that the note shall be governed by and construed pursuant to  
59 the laws of the state of Connecticut.

60 (2) Notwithstanding any provision of the general statutes or any  
61 regulation adopted pursuant to said statutes, each education loan  
62 made under a master promissory note pursuant to this subsection may  
63 be sold or assigned independently of any other education loan made  
64 under the same master promissory note and each such loan shall be  
65 separately enforceable on the basis of an original or copy of the master  
66 promissory note in accordance with the terms of the master  
67 promissory note.

68 (3) Notwithstanding any provision of the general statutes, each such  
69 master promissory note shall be fully negotiable within the meaning  
70 and for all purposes of title 42a, regardless of whether the form and  
71 character of such master promissory note qualifies under the terms of  
72 the provisions of title 42a.

73 (4) The authority may pledge all or any part of its interest in any  
74 such master promissory note or the education loan evidenced by such  
75 note as security for any issue of bonds or notes or any other  
76 obligations. Such pledge shall be valid and binding from the time  
77 when the pledge is made; the interest so pledged by the authority shall  
78 immediately be subject to the lien of such pledge without any physical  
79 delivery of the lien or further act, and the lien of any such pledge shall  
80 be valid and binding against all parties having claims of any kind in  
81 tort, contract or otherwise against the authority or any participating  
82 institution for higher education, irrespective of whether such parties  
83 have notice of the lien. Such lien shall have priority over all other liens,  
84 including, without limitation, the lien of any person who in the  
85 ordinary course of business furnishes services or materials to the  
86 authority. Notwithstanding the provisions of title 42a, neither the bond

87 resolution nor any financing statement, continuation statement or  
88 other instrument by which a pledge or security interest is created or by  
89 which the authority's interest in such master promissory notes is  
90 assigned need be filed in any public records in order to perfect the  
91 security interest or lien thereof as against third parties. Any outright  
92 sale by the authority of any education loan evidenced by such a master  
93 promissory note shall be effective and perfected automatically upon  
94 attachment as defined in title 42a.

95 Sec. 3. Section 10a-230 of the general statutes is repealed and the  
96 following is substituted in lieu thereof (*Effective July 1, 2007*):

97 (a) The authority may from time to time issue revenue bonds for  
98 any corporate purpose and all such revenue bonds, notes, bond  
99 anticipation notes or other obligations of the authority issued pursuant  
100 to this chapter shall be and are hereby declared to be negotiable for all  
101 purposes notwithstanding their payment from a limited source and  
102 without regard to any other law or laws. In anticipation of the sale of  
103 such revenue bonds, the authority may issue negotiable bond  
104 anticipation notes and may renew the same from time to time, but the  
105 maximum maturity of any such note, including renewals [thereof,] of  
106 such notes shall not exceed five years from the date of issue of the  
107 original note. Such notes shall be paid from any revenues of the  
108 authority available therefor and not otherwise pledged, or from the  
109 proceeds of sale of the revenue bonds of the authority in anticipation  
110 of which they were issued. The notes shall be issued in the same  
111 manner as the revenue bonds. Such notes and the resolution or  
112 resolutions authorizing the same may contain any provisions,  
113 conditions or limitations which a bond resolution of the authority may  
114 contain.

115 (b) The revenue bonds and notes of every issue shall be payable  
116 solely out of the revenues of the authority pertaining to the program  
117 relating to such bonds or notes including principal and interest on  
118 authority loans and education loans, and any other revenues derived  
119 from or in connection with any other authority loans and education

120 loans, payments by participating institutions for higher education,  
121 banks, guarantors, insurance companies or others pursuant to letters of  
122 credit or purchase agreements, investment earnings from funds or  
123 accounts maintained pursuant to the bond resolution, insurance  
124 proceeds, loan funding deposits, proceeds of sales of education loans,  
125 proceeds of refunding bonds and fees, charges and other revenues,  
126 funds and other assets of the authority but subject only to any  
127 agreements with the holders of particular revenue bonds or notes  
128 pledging any particular revenues and subject to any agreements with  
129 any participating institution for higher education.

130 (c) The revenue bonds or notes may be issued as serial bonds or  
131 notes or as term bonds or notes, or the authority, in its discretion, may  
132 issue bonds or notes of both types. The revenue bonds or notes shall be  
133 authorized by resolution of the members of the board of directors of  
134 the authority and shall bear such date or dates, mature at such time or  
135 times, not exceeding the year following the last year in which the final  
136 payments in an education loan series portfolio are due, or thirty years  
137 from the date of issuance, whichever is sooner, from their respective  
138 dates, bear interest at such rate or rates, payable at such time or times,  
139 be in such denominations, be in such form either coupon or registered,  
140 carry such registration or conversion privileges, be executed with  
141 manual or facsimile signatures in such manner, be payable in lawful  
142 money of the United States at such place or places, and be subject to  
143 such terms of redemption, as such resolution or resolutions may  
144 provide. Such resolution or resolutions may delegate to the executive  
145 director, assistant executive director or any member of the board of  
146 directors of the authority, or any combination of them, the power to  
147 determine any of the matters set forth in this section and the power to  
148 award the bonds to a purchaser or purchasers at public sale or to  
149 negotiate a sale to a purchaser or purchasers. The revenue bonds or  
150 notes may be sold for such price or prices as the authority shall  
151 determine. Pending preparation of the definitive bonds, the authority  
152 may issue interim receipts or certificates which shall be exchanged for  
153 such definitive bonds.

154 (d) Any resolution or resolutions authorizing any revenue bonds or  
155 any issue of revenue bonds may contain provisions, which shall be a  
156 part of the contract with the holders of the revenue bonds to be  
157 authorized, as to: (1) Pledging all or any part of the revenues, funds or  
158 other assets of the authority, including, but not limited to, the  
159 authority loans and education loans to secure such bonds or notes; (2)  
160 pledging all or any part of the revenues paid to the authority by any  
161 guarantor or insurance company; (3) pledging any revenue-producing  
162 contract or contracts made by the authority with any individual,  
163 partnership, corporation or association or other body, public or  
164 private, or any federally guaranteed security and moneys received or  
165 receivable therefrom whether such security is acquired by the  
166 authority or a participating institution for higher education to secure  
167 the payment of the revenue bonds or notes or of any particular issue of  
168 revenue bonds or notes, subject to such agreements with bondholders  
169 or noteholders as may then exist; (4) the fees and other amounts to be  
170 charged, and the sums to be raised in each year thereby, and the use,  
171 investment and disposition of such sums; (5) the establishment and  
172 setting aside of reserves or sinking funds, the setting aside of loan  
173 funding deposits, capitalized interest accounts, and cost of issuance  
174 accounts, and the regulation and disposition thereof; (6) limitations on  
175 the use of the education loans; (7) limitations on the purpose to which  
176 the proceeds of the sale of any issue of revenue bonds or notes then or  
177 thereafter to be issued may be applied, including as authorized  
178 purposes, all costs and expenses necessary or incidental to the issuance  
179 of bonds, to the acquisition of or commitment to acquire any federally  
180 guaranteed security and pledging such proceeds to secure the  
181 payment of the revenue bonds, notes or any issue of the revenue bonds  
182 or notes; (8) limitations on the issuance of additional bonds or notes,  
183 the terms upon which additional bonds or notes may be issued and  
184 secured and the terms on which additional bonds or notes rank on a  
185 parity with, or be subordinate or superior to, other bonds or notes; (9)  
186 the refunding of outstanding bonds or notes; (10) the procedure, if any,  
187 by which the terms of any contract with bondholders or noteholders  
188 may be amended or abrogated, the amount of bonds or notes the

189 holders of which must consent thereto, and the manner in which such  
190 consent may be given; (11) limitations on the amount of moneys  
191 derived from the educational program to be expended for operating,  
192 administrative or other expenses of the authority; (12) defining the acts  
193 or omissions to act which shall constitute a default in the duties of the  
194 authority to holders of its obligations and providing the rights and  
195 remedies of such holders in the event of default; (13) the duties,  
196 obligations and liabilities of any trustee or paying agent; (14)  
197 providing for guarantees, pledges of endowments, letters of credit,  
198 property or other security for the benefit of the holders of such bonds  
199 or notes; and (15) any other matters relating to the bonds or notes  
200 which the authority deems desirable.

201 (e) Subject to the approval of the State Treasurer or the Treasurer's  
202 deputy appointed pursuant to section 3-12, required under subsection  
203 (b) of section 1-124, in connection with, or incidental to:

204 (1) The issuance or carrying of bonds, notes or other obligations of  
205 the authority, or the acquisition or carrying of any investment or  
206 program of investment, the authority may enter into any contract  
207 which the authority determines to be necessary or appropriate to place  
208 the obligation or investment of the authority, as represented by the  
209 bonds, notes or other obligations, investment or program of  
210 investment and the contract or contracts, in whole or in part, on the  
211 interest rate, cash flow or other basis desired by the authority,  
212 including, without limitation, contracts commonly known as interest  
213 rate swap agreements, forward payment conversion agreements,  
214 futures or contracts providing for payments based on levels of, or  
215 changes in, interest rates, stock or other indices, or contracts to  
216 exchange cash flows or a series of payments, or contracts, including,  
217 without limitation, interest rate floors or caps, options, puts or calls to  
218 hedge payment, rate, spread or similar exposure or contracts for the  
219 purchase of option rights with respect to the mandatory tender for  
220 purchase of bonds, notes or other obligations of the authority, which  
221 are subject to mandatory tender or redemption, including the issuance  
222 of certificates evidencing the right of the owner to exercise such option

223 rights. Such contracts or agreements may also be entered into by the  
224 authority in connection with, or incidental to, entering into or  
225 maintaining any agreement which secures its bonds, notes or other  
226 obligations, subject to the terms and conditions of the agreement  
227 respecting outstanding obligations. In entering into any such contract  
228 or agreement, the authority shall give due consideration to the  
229 creditworthiness of the counter party or counter parties, including any  
230 rating by a nationally recognized rating agency, the impact on any  
231 rating on outstanding bonds or notes of the authority or any other  
232 criteria as the authority may deem appropriate, provided the  
233 unsecured long-term obligations of the counter party is rated the same  
234 or higher than the underlying rating of the authority on the applicable  
235 bonds or notes by at least one nationally recognized rating agency. For  
236 purposes of this subsection, counter party includes any party  
237 providing an unconditional guaranty of the obligations of the counter  
238 party under such contract or agreement; and

239 (2) The issuance or carrying of bonds, notes or other obligations or  
240 entering into any of the contracts or agreements referred to in  
241 subdivision (1) of this subsection, the authority may enter into credit  
242 enhancement or liquidity agreements, with payment, interest rate,  
243 security, default, remedy and other terms and conditions as the  
244 authority determines, and the authority may pledge all of any part of  
245 the collateral that secures the applicable bonds or notes, to the  
246 authority's payment obligations under any contract or agreement  
247 entered into pursuant to this subsection. The authority's obligations  
248 under any contract or agreement entered into pursuant to this  
249 subsection may be enforced as provided in section 10a-235.

250 [(e)] (f) Neither the members of the board of directors of the  
251 authority nor any person executing the revenue bonds or notes shall be  
252 liable personally on the revenue bonds or notes or be subject to any  
253 personal liability or accountability by reason of the issuance thereof.

254 [(f)] (g) The authority shall have power out of any funds available  
255 therefor to purchase its bonds or notes. The authority may hold,

pledge, cancel or resell such bonds or notes subject to and in accordance with the agreements with bondholders.

Sec. 4. Subsection (b) of section 12-742 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2007*):

(b) (1) In cases where any person or entity is due a refund of state income taxes, and that same person is in default of a student loan made or guaranteed by the Connecticut Student Loan Foundation or the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Student Loan Foundation or the Connecticut Higher Education Supplemental Loan Authority, as appropriate, shall notify the Commissioner of Administrative Services of such default. The Commissioner of Revenue Services, upon notification by the Commissioner of Administrative Services, shall withhold the payment of said refund to such person to the extent of such default, provided the Commissioner of Revenue Services shall notify such person in default that he or she has the right to a hearing before an officer designated by the Commissioner of Administrative Services if he or she contests the validity or amount of the Commissioner of Administrative Services' claim. If the person in default fails to apply in writing to the Commissioner of Administrative Services for a hearing within sixty days of the issuance of notice of withholding, the Commissioner of Revenue Services shall remit the amount of the withheld refund to the Commissioner of Administrative Services, who in turn shall remit the amount of such withheld refund to the Connecticut Student Loan Foundation or the Connecticut Higher Education Supplemental Loan Authority, as appropriate. If the person in default elects an administrative hearing within this time, the Commissioner of Revenue Services shall remit the amount of the withheld refund in accordance with any decisions of the hearing officer or the court upon an appeal of the hearing officer's decision. If a person in default also owes a debt or obligation described in subsection (a) of this section, the refund shall be applied against such debt or obligation before being credited against the amount of the

290 default.

291 (2) The Commissioner of Revenue Services, the Commissioner of  
 292 Administrative Services, [and] the president of the Connecticut  
 293 Student Loan Foundation or the executive director of the Connecticut  
 294 Higher Education Supplemental Loan Authority, as appropriate, on  
 295 behalf of such corporation, shall enter into an agreement for the  
 296 crediting of income tax refunds against the amount a taxpayer is in  
 297 default of a loan pursuant to subdivision (1) of this subsection. The  
 298 agreement shall include procedures for the Connecticut Student Loan  
 299 Foundation or the Connecticut Higher Education Supplemental Loan  
 300 Authority, as appropriate, to (A) notify the Commissioner of  
 301 Administrative Services of a default, and the amount of the default,  
 302 and (B) reimburse the Department of Administrative Services and the  
 303 Department of Revenue Services for any costs incurred by the  
 304 departments in carrying out the provisions of this subsection.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2007</i>	10a-224(a)
Sec. 2	<i>July 1, 2007</i>	10a-225
Sec. 3	<i>July 1, 2007</i>	10a-230
Sec. 4	<i>July 1, 2007</i>	12-742(b)

**HED**

*Joint Favorable Subst. C/R*

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